



General Assembly

January Session, 2007

***Raised Bill No. 1451***

LCO No. 6052

\*06052\_\_\_\_\_FIN\*

Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

***AN ACT ESTABLISHING THE CONNECTICUT HOMECARE OPTION  
PROGRAM FOR THE ELDERLY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2007*) (a) For purposes of  
2 sections 1 to 6, inclusive, of this act:

3 (1) "Depositor" means any person making a deposit, payment,  
4 contribution, gift or other deposit to the trust pursuant to a  
5 participation agreement.

6 (2) "Designated beneficiary" means any individual who enters into a  
7 participation agreement or is subsequently designated as a spouse or  
8 the partner to a civil union of the designated beneficiary.

9 (3) "Eligible home care provider" means (A) a provider licensed in  
10 Connecticut to perform home care services for the integral activities of  
11 daily living, or (B) licensed transportation services.

12 (4) "Participation agreement" means the agreement between the  
13 trust and depositors for participation in a savings plan for a designated  
14 beneficiary.

15 (5) "Qualified home care expenses" means the cost of services  
16 performed by an eligible home care provider, and the cost of any other  
17 service recommended by a physician and provided by a licensed  
18 provider.

19 (6) "Trust" means the Connecticut Home Care Trust Fund.

20 (b) There is established the Connecticut Homecare Option Program  
21 for the Elderly, to allow individuals to plan for the cost of services that  
22 will allow them to remain in their homes as they age. The Treasurer  
23 shall establish the Connecticut Home Care Trust Fund, which shall be  
24 comprised of individual savings accounts for those expenses not  
25 covered by a long-term care insurance policy. Deposits into the trust  
26 may be subtracted from the Connecticut adjusted gross income, as  
27 defined in section 12-701 of the general statutes, as amended by this  
28 act, up to an annual maximum deposit into the trust of five thousand  
29 dollars for persons who file a return under the federal income tax as an  
30 unmarried individual, as a married individual filing separately or as a  
31 head of household, or ten thousand dollars for persons who file a  
32 return under the federal income tax as married individuals filing  
33 jointly. Withdrawals from the fund may be used for qualified home  
34 care expenses, upon receipt by the fund of a physician's certification  
35 that the designated beneficiary is in need of services for the integral  
36 activities of daily living.

37 (c) There is established an advisory committee to the Connecticut  
38 Homecare Option Program for the Elderly, which shall consist of the  
39 State Treasurer, the Comptroller, the Commissioner of Social Services,  
40 a representative of the Commission on Aging, the director of the long-  
41 term care partnership policy program within the Office of Policy and  
42 Management, and the cochairpersons and ranking members of the  
43 joint standing committees of the General Assembly having cognizance  
44 of matters relating to human services and finance, revenue and  
45 bonding and the cochairpersons and ranking members of the select  
46 committed having cognizance of matters relating to aging, or their

47 designees. The Governor shall appoint one provider of home care  
48 services for the elderly and a physician specializing in geriatric care.  
49 The advisory committee shall meet at least annually. The State  
50 Comptroller shall convene the meetings of the committee.

51       Sec. 2. (NEW) (*Effective October 1, 2007*) The Treasurer, on behalf of  
52 the trust and for purposes of the trust, may:

53       (1) Receive and invest moneys in the trust in any instruments,  
54 obligations, securities or property in accordance with section 3 of this  
55 act;

56       (2) Procure insurance in connection with the trust's property, assets,  
57 activities, or deposits or contributions to the trust;

58       (3) Establish one or more funds within the trust and maintain  
59 separate accounts for each designated beneficiary; and

60       (4) Take any other actions necessary to carry out the purposes of  
61 sections 1 to 6, inclusive, of this act, and incidental to the duties  
62 imposed on the Treasurer pursuant to said sections.

63       Sec. 3. (NEW) (*Effective October 1, 2007*) Notwithstanding sections 3-  
64 13 to 3-13h, inclusive, of the general statutes, the Treasurer shall invest  
65 the amounts on deposit in the trust in a manner reasonable and  
66 appropriate to achieve the objectives of the trust, exercising the  
67 discretion and care of a prudent person in similar circumstances with  
68 similar objectives. The Treasurer shall give due consideration to rate of  
69 return, risk, term or maturity, diversification of the total portfolio  
70 within the trust, liquidity, the projected disbursements and  
71 expenditures, and the expected payments, deposits, contributions and  
72 gifts to be received. The Treasurer shall not require the trust to invest  
73 directly in obligations of the state or any political subdivision of the  
74 state or in any investment or other fund administered by the Treasurer.  
75 The assets of the trust shall be continuously invested and reinvested in  
76 a manner consistent with the objectives of the trust until disbursed for

77 qualified home care expenses, expended on expenses incurred by the  
78 operations of the trust, or refunded to the depositor or designated  
79 beneficiary on the conditions provided in the participation agreement.

80 Sec. 4. (NEW) (*Effective October 1, 2007*) The Comptroller, on behalf  
81 of the trust and for purposes of the trust, may:

82 (1) Establish consistent terms for each participation agreement, bulk  
83 deposit, coupon or installment payments, including, but not limited to,  
84 (A) the method of payment into the trust by payroll deduction, transfer  
85 from bank accounts or otherwise, (B) the termination, withdrawal or  
86 transfer of payments under the trust, including transfers to a licensed  
87 home care or transportation provider, (C) penalties for distributions  
88 not used or made in accordance with this section, (D) changing the  
89 identity of the designated beneficiary, and (E) any charges or fees in  
90 connection with the administration of the trust;

91 (2) Enter into one or more contractual agreements, including  
92 contracts for legal, actuarial, accounting, custodial, advisory,  
93 management, administrative, advertising, marketing and consulting  
94 services for the trust and pay for such services from the gains and  
95 earnings of the trust;

96 (3) Apply for, accept and expend gifts, grants or donations from  
97 public or private sources to enable the trust to carry out its objectives;

98 (4) Adopt regulations, in accordance with chapter 54 of the general  
99 statutes, to implement the purposes of sections 1 to 6, inclusive, of this  
100 act;

101 (5) Sue and be sued; and

102 (6) Take any other action necessary to carry out the purposes of  
103 sections 1 to 6, inclusive, of this act, and incidental to the duties  
104 imposed on the Treasurer pursuant to said sections.

105 Sec. 5. (NEW) (*Effective October 1, 2007*) Participation in the trust and

106 the offering and solicitation of the trust are exempt from sections 36b-  
107 16 and 36b-22 of the general statutes. The Treasurer shall obtain  
108 written advice of counsel or written advice from the Securities  
109 Exchange Commission, or both, that the trust and the offering of  
110 participation in the trust are not subject to federal securities laws.

111 Sec. 6. (NEW) (*Effective October 1, 2007*) The state pledges to  
112 depositors, designated beneficiaries and with any party who enters  
113 into contracts with the trust, pursuant to the provisions of sections 1 to  
114 6, inclusive, of this act, that the state will not limit or alter the rights  
115 under said sections vested in the trust or contract with the trust until  
116 such obligations are fully met and discharged and such contracts are  
117 fully performed on the part of the trust, provided nothing contained in  
118 this section shall preclude such limitation or alteration if adequate  
119 provision is made by law for the protection of such depositors and  
120 designated beneficiaries pursuant to the obligations of the trust or  
121 parties who entered into such contracts with the trust. The trust, on  
122 behalf of the state, may include this pledge and undertaking for the  
123 state in participation agreements and such other obligations or  
124 contracts.

125 Sec. 7. Subparagraph (B) of subdivision (20) of subsection (a) of  
126 section 12-701 of the general statutes is repealed and the following is  
127 substituted in lieu thereof (*Effective October 1, 2007, and applicable to*  
128 *taxable years commencing on or after January 1, 2007*):

129 (B) There shall be subtracted therefrom (i) to the extent properly  
130 includable in gross income for federal income tax purposes, any  
131 income with respect to which taxation by any state is prohibited by  
132 federal law, (ii) to the extent allowable under section 12-718, exempt  
133 dividends paid by a regulated investment company, (iii) the amount of  
134 any refund or credit for overpayment of income taxes imposed by this  
135 state, or any other state of the United States or a political subdivision  
136 thereof, or the District of Columbia, to the extent properly includable  
137 in gross income for federal income tax purposes, (iv) to the extent

138 properly includable in gross income for federal income tax purposes  
139 and not otherwise subtracted from federal adjusted gross income  
140 pursuant to clause (x) of this subparagraph in computing Connecticut  
141 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
142 extent any additional allowance for depreciation under Section 168(k)  
143 of the Internal Revenue Code, as provided by Section 101 of the Job  
144 Creation and Worker Assistance Act of 2002, for property placed in  
145 service after December 31, 2001, but prior to September 10, 2004, was  
146 added to federal adjusted gross income pursuant to subparagraph (A)  
147 (ix) of this subdivision in computing Connecticut adjusted gross  
148 income for a taxable year ending after December 31, 2001, twenty-five  
149 per cent of such additional allowance for depreciation in each of the  
150 four succeeding taxable years, (vi) to the extent properly includable in  
151 gross income for federal income tax purposes, any interest income  
152 from obligations issued by or on behalf of the state of Connecticut, any  
153 political subdivision thereof, or public instrumentality, state or local  
154 authority, district or similar public entity created under the laws of the  
155 state of Connecticut, (vii) to the extent properly includable in  
156 determining the net gain or loss from the sale or other disposition of  
157 capital assets for federal income tax purposes, any gain from the sale  
158 or exchange of obligations issued by or on behalf of the state of  
159 Connecticut, any political subdivision thereof, or public  
160 instrumentality, state or local authority, district or similar public entity  
161 created under the laws of the state of Connecticut, in the income year  
162 such gain was recognized, (viii) any interest on indebtedness incurred  
163 or continued to purchase or carry obligations or securities the interest  
164 on which is subject to tax under this chapter but exempt from federal  
165 income tax, to the extent that such interest on indebtedness is not  
166 deductible in determining federal adjusted gross income and is  
167 attributable to a trade or business carried on by such individual, (ix)  
168 ordinary and necessary expenses paid or incurred during the taxable  
169 year for the production or collection of income which is subject to  
170 taxation under this chapter but exempt from federal income tax, or the  
171 management, conservation or maintenance of property held for the

172 production of such income, and the amortizable bond premium for the  
173 taxable year on any bond the interest on which is subject to tax under  
174 this chapter but exempt from federal income tax, to the extent that  
175 such expenses and premiums are not deductible in determining federal  
176 adjusted gross income and are attributable to a trade or business  
177 carried on by such individual, (x) (I) for a person who files a return  
178 under the federal income tax as an unmarried individual whose  
179 federal adjusted gross income for such taxable year is less than fifty  
180 thousand dollars, or as a married individual filing separately whose  
181 federal adjusted gross income for such taxable year is less than fifty  
182 thousand dollars, or for a husband and wife who file a return under  
183 the federal income tax as married individuals filing jointly whose  
184 federal adjusted gross income for such taxable year is less than sixty  
185 thousand dollars or a person who files a return under the federal  
186 income tax as a head of household whose federal adjusted gross  
187 income for such taxable year is less than sixty thousand dollars, an  
188 amount equal to the Social Security benefits includable for federal  
189 income tax purposes; and (II) for a person who files a return under the  
190 federal income tax as an unmarried individual whose federal adjusted  
191 gross income for such taxable year is fifty thousand dollars or more, or  
192 as a married individual filing separately whose federal adjusted gross  
193 income for such taxable year is fifty thousand dollars or more, or for a  
194 husband and wife who file a return under the federal income tax as  
195 married individuals filing jointly whose federal adjusted gross income  
196 from such taxable year is sixty thousand dollars or more or for a  
197 person who files a return under the federal income tax as a head of  
198 household whose federal adjusted gross income for such taxable year  
199 is sixty thousand dollars or more, an amount equal to the difference  
200 between the amount of Social Security benefits includable for federal  
201 income tax purposes and the lesser of twenty-five per cent of the Social  
202 Security benefits received during the taxable year, or twenty-five per  
203 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
204 Code, (xi) to the extent properly includable in gross income for federal  
205 income tax purposes, any amount rebated to a taxpayer pursuant to

206 section 12-746, (xii) to the extent properly includable in the gross  
 207 income for federal income tax purposes of a designated beneficiary,  
 208 any distribution to such beneficiary from any qualified state tuition  
 209 program, as defined in Section 529(b) of the Internal Revenue Code,  
 210 established and maintained by this state or any official, agency or  
 211 instrumentality of the state, (xiii) to the extent allowable under section  
 212 12-701a, as amended by this act, contributions to accounts established  
 213 pursuant to any qualified state tuition program, as defined in Section  
 214 529(b) of the Internal Revenue Code, established and maintained by  
 215 this state or any official, agency or instrumentality of the state, (xiv) to  
 216 the extent properly includable in gross income for federal income tax  
 217 purposes, the amount of any Holocaust victims' settlement payment  
 218 received in the taxable year by a Holocaust victim, [and] (xv) to the  
 219 extent properly includable in gross income for federal income tax  
 220 purposes of an account holder, as defined in section 31-51ww, interest  
 221 earned on funds deposited in the individual development account, as  
 222 defined in section 31-51ww, of such account holder, and (xvi) to the  
 223 extend allowable under section 12-701a, as amended by this act,  
 224 contributions to accounts established pursuant to the Connecticut  
 225 Homecare Option Program for the Elderly under sections 1 to 6,  
 226 inclusive, of this act.

227 Sec. 8. Subparagraph (B) of subdivision (20) of subsection (a) of  
 228 section 12-701 of the general statutes, as amended by section 71 of  
 229 public act 05-251 and section 77 of public act 06-186, is repealed and  
 230 the following is substituted in lieu thereof (*Effective October 1, 2007, and*  
 231 *applicable to taxable years commencing on or after January 1, 2008*):

232 (B) There shall be subtracted therefrom (i) to the extent properly  
 233 includable in gross income for federal income tax purposes, any  
 234 income with respect to which taxation by any state is prohibited by  
 235 federal law, (ii) to the extent allowable under section 12-718, exempt  
 236 dividends paid by a regulated investment company, (iii) the amount of  
 237 any refund or credit for overpayment of income taxes imposed by this  
 238 state, or any other state of the United States or a political subdivision



239 thereof, or the District of Columbia, to the extent properly includable  
240 in gross income for federal income tax purposes, (iv) to the extent  
241 properly includable in gross income for federal income tax purposes  
242 and not otherwise subtracted from federal adjusted gross income  
243 pursuant to clause (x) of this subparagraph in computing Connecticut  
244 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
245 extent any additional allowance for depreciation under Section 168(k)  
246 of the Internal Revenue Code, as provided by Section 101 of the Job  
247 Creation and Worker Assistance Act of 2002, for property placed in  
248 service after December 31, 2001, but prior to September 10, 2004, was  
249 added to federal adjusted gross income pursuant to subparagraph  
250 (A)(ix) of this subdivision in computing Connecticut adjusted gross  
251 income for a taxable year ending after December 31, 2001, twenty-five  
252 per cent of such additional allowance for depreciation in each of the  
253 four succeeding taxable years, (vi) to the extent properly includable in  
254 gross income for federal income tax purposes, any interest income  
255 from obligations issued by or on behalf of the state of Connecticut, any  
256 political subdivision thereof, or public instrumentality, state or local  
257 authority, district or similar public entity created under the laws of the  
258 state of Connecticut, (vii) to the extent properly includable in  
259 determining the net gain or loss from the sale or other disposition of  
260 capital assets for federal income tax purposes, any gain from the sale  
261 or exchange of obligations issued by or on behalf of the state of  
262 Connecticut, any political subdivision thereof, or public  
263 instrumentality, state or local authority, district or similar public entity  
264 created under the laws of the state of Connecticut, in the income year  
265 such gain was recognized, (viii) any interest on indebtedness incurred  
266 or continued to purchase or carry obligations or securities the interest  
267 on which is subject to tax under this chapter but exempt from federal  
268 income tax, to the extent that such interest on indebtedness is not  
269 deductible in determining federal adjusted gross income and is  
270 attributable to a trade or business carried on by such individual, (ix)  
271 ordinary and necessary expenses paid or incurred during the taxable  
272 year for the production or collection of income which is subject to

273 taxation under this chapter but exempt from federal income tax, or the  
274 management, conservation or maintenance of property held for the  
275 production of such income, and the amortizable bond premium for the  
276 taxable year on any bond the interest on which is subject to tax under  
277 this chapter but exempt from federal income tax, to the extent that  
278 such expenses and premiums are not deductible in determining federal  
279 adjusted gross income and are attributable to a trade or business  
280 carried on by such individual, (x) (I) for a person who files a return  
281 under the federal income tax as an unmarried individual whose  
282 federal adjusted gross income for such taxable year is less than fifty  
283 thousand dollars, or as a married individual filing separately whose  
284 federal adjusted gross income for such taxable year is less than fifty  
285 thousand dollars, or for a husband and wife who file a return under  
286 the federal income tax as married individuals filing jointly whose  
287 federal adjusted gross income for such taxable year is less than sixty  
288 thousand dollars or a person who files a return under the federal  
289 income tax as a head of household whose federal adjusted gross  
290 income for such taxable year is less than sixty thousand dollars, an  
291 amount equal to the Social Security benefits includable for federal  
292 income tax purposes; and (II) for a person who files a return under the  
293 federal income tax as an unmarried individual whose federal adjusted  
294 gross income for such taxable year is fifty thousand dollars or more, or  
295 as a married individual filing separately whose federal adjusted gross  
296 income for such taxable year is fifty thousand dollars or more, or for a  
297 husband and wife who file a return under the federal income tax as  
298 married individuals filing jointly whose federal adjusted gross income  
299 from such taxable year is sixty thousand dollars or more or for a  
300 person who files a return under the federal income tax as a head of  
301 household whose federal adjusted gross income for such taxable year  
302 is sixty thousand dollars or more, an amount equal to the difference  
303 between the amount of Social Security benefits includable for federal  
304 income tax purposes and the lesser of twenty-five per cent of the Social  
305 Security benefits received during the taxable year, or twenty-five per  
306 cent of the excess described in Section 86(b)(1) of the Internal Revenue

307 Code, (xi) to the extent properly includable in gross income for federal  
 308 income tax purposes, any amount rebated to a taxpayer pursuant to  
 309 section 12-746, (xii) to the extent properly includable in the gross  
 310 income for federal income tax purposes of a designated beneficiary,  
 311 any distribution to such beneficiary from any qualified state tuition  
 312 program, as defined in Section 529(b) of the Internal Revenue Code,  
 313 established and maintained by this state or any official, agency or  
 314 instrumentality of the state, (xiii) to the extent allowable under section  
 315 12-701a, as amended by this act, contributions to accounts established  
 316 pursuant to any qualified state tuition program, as defined in Section  
 317 529(b) of the Internal Revenue Code, established and maintained by  
 318 this state or any official, agency or instrumentality of the state, (xiv) to  
 319 the extent properly includable in gross income for federal income tax  
 320 purposes, the amount of any Holocaust victims' settlement payment  
 321 received in the taxable year by a Holocaust victim, (xv) to the extent  
 322 properly includable in gross income for federal income tax purposes of  
 323 an account holder, as defined in section 31-51ww, interest earned on  
 324 funds deposited in the individual development account, as defined in  
 325 section 31-51ww, of such account holder, (xvi) to the extent allowable  
 326 under section 12-701a, as amended by this act, contributions to  
 327 accounts established pursuant to the Connecticut Homecare Option  
 328 Program for the Elderly under sections 1 to 6, inclusive, of this act, and  
 329 [(xvi)] (xvii) to the extent properly included in gross income for federal  
 330 income tax purposes, fifty per cent of the income received from the  
 331 United States government as retirement pay for a retired member of (I)  
 332 the Armed Forces of the United States, as defined in Section 101 of  
 333 Title 10 of the United States Code, or (II) the National Guard, as  
 334 defined in Section 101 of Title 10 of the United States Code.

335 Sec. 9. Section 12-701a of the general statutes is repealed and the  
 336 following is substituted in lieu thereof (*Effective October 1, 2007, and*  
 337 *applicable to taxable years commencing on or after January 1, 2007*):

338 The maximum annual modification under subparagraph (B)(xiii) or  
 339 (B)(xvi) of subdivision (20) of subsection (a) of section 12-701, as

340 amended by this act, shall be equal to the amount of contributions to  
 341 all accounts established pursuant to any qualified state tuition  
 342 program, as defined in Section 529(b) of the Internal Revenue Code, or  
 343 to all accounts established pursuant to the Connecticut Homecare  
 344 Option Program for the Elderly under sections 1 to 6, inclusive, of this  
 345 act, established and maintained by this state or any official, agency or  
 346 instrumentality of the state, but shall not exceed five thousand dollars  
 347 for each individual taxpayer, or ten thousand dollars for taxpayers  
 348 filing a joint return. Any amount of a contribution that is not  
 349 subtracted by the taxpayer in the year for which the contribution is  
 350 made, on or after January 1, 2006, may be carried forward as a  
 351 subtraction from income for the succeeding five years; provided the  
 352 amount subtracted shall not exceed the maximum allowed in each  
 353 subsequent taxable year.

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|---|--|------------------|
| This act shall take effect as follows and shall amend the following sections: |  |                  |
| Section 1   | <i>October 1, 2007</i>   | New section      |
| Sec. 2  | <i>October 1, 2007</i>   | New section      |
| Sec. 3  | <i>October 1, 2007</i>   | New section      |
| Sec. 4  | <i>October 1, 2007</i>   | New section      |
| Sec. 5  | <i>October 1, 2007</i>   | New section      |
| Sec. 6  | <i>October 1, 2007</i>   | New section      |
| Sec. 7  | <i>October 1, 2007, and<br/>applicable to taxable years<br/>commencing on or after<br/>January 1, 2007</i> | 12-701(a)(20)(B) |
| Sec. 8  | <i>October 1, 2007, and<br/>applicable to taxable years<br/>commencing on or after<br/>January 1, 2008</i> | 12-701(a)(20)(B) |
| Sec. 9  | <i>October 1, 2007, and<br/>applicable to taxable years<br/>commencing on or after<br/>January 1, 2007</i> | 12-701a          |

***Statement of Purpose:***

To establish the Connecticut Homecare Option Program for the Elderly, providing for tax-deductible contributions to an individual savings account, the proceeds of which may be used to pay for services necessary for the integral activities of daily living, thus allowing persons to remain in their homes as they age.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*